Producers 88 (4-89) Paid Up With 640 Acres Pooling Provision

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PAID UP OIL AND GAS LEASE

(Restricted Surface Use)

THIS LEASE AGREEMENT is made effective this May 19th, 2008, by and between GERARDO CALDERON, and wife, BEATRIZ CALDERON, as Lessor, and CIRCLE ENERGY, address 2400 North Highway 287, Ste 106, Mansfield, Texas 76063 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called "leased premises," for the purpose of drilling beneath "using directional or horizontal drilling methods only" without exploring, drilling or operating on the surface of the leased premises. Said leased premises being described as follows:

0.167 acres, more or less, situated in the S.C. Neill Survey in Tarrant County, Texas and being more particularly described as Lot 25 Block 3 of The Villages at Spring Lake, Phase I, an Addition in Tarrant County, Texas, according to the map or plat thereof recorded in Cabinet A, Slide 6929, of the Plat Records of Tarrant County, Texas and being more particularly described in that Warranty Deed With Vendor's Lien dated July 8, 2004, recorded in the instrument number D204217635, Deed Records, Tarrant County, Texas and amendments thereof, including streets, easements, and alleyways adjacent thereto, and any riparian rights.

in Tarrant County, Texas, containing <u>0.167</u> gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

- 2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/, shall be in force for a primary term of https://document.org/rentals/. The shall be in force for a primary term of https://document.org/rentals/. The shall be in force for a primary term of https://document.org/rentals/. The shall be in force for a primary term of https://document.org/rentals/. The shall be in force for a primary term of https://document.org/rentals/. The shall b
- 3. Royalties on oil, gas and other substances produced and saved hercunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be one-fifth (1/5) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be one-fifth (1/5) of the gross proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise laxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production there from is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities, but such well or wells are either shut-in or production there from is not being sold by Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day p
- 4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in <u>at Lessor's address below</u> or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mail in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder. Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.
- 5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production there from, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.
- 6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%, provided that a larger unit may be formed for an oil well or gas well or a horizontal completion in any well spacing or density pattern that may be prescribed or permitted by any governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet per barrel and "gas well" in which the horizontal component of the gross completion interval in facilities or equivalent testing equipment, and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in facilities or equivalent testing equipment, and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in facilities or equivalent testing operations anywhere on a unit which includes all or any part of the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or
- 7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.
- 8. The interest of either Lessor or Lessee hercunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder. Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers is interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

Paid-Up Oil and Gas Lease

- 9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.
- 10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery. Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drifting of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other similar facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease, and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessor hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time there
- 11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.
- 12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offer or, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.
- 13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.
- 14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.
- 15. Except as provided and permitted herein, Lessee, its successors and assigns, for and during the term of this lease, is prohibited from entering onto the surface of the lease premises for any purpose whatsoever, it being understood and agreed upon by and between the parties hereto that this lease is being executed only for subsurface operations described in paragraph one, hereof or for pooling purposes described in paragraph six hereof. Lessee agrees that Lessee shall not enter upon or conduct operations of any kind on the surface of the lease premises at any time during the term hereof, except as permitted in paragraph 10 herein.
- 16. Circle Energy is hereby given the option to extend the primary term of this lease for an additional two (2) years from the expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term by paying to Lessor herein, or his heirs, successors or assigns, an additional bonus equal to the bonus dollars originally paid for this lease. Lessee shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

21.10/10 011

		Beatriz	Calderon S: 3841 Webster Street Oakland, Ca 94609-2723	<u>5-28-08</u>
STATE OF TEXAS COUNTY OF Tarrant	999	ACKNOWLEDGMENT	see attached	
This instrument was ac	knowledge	d before me on the day of _	, 2008-by Gerardo and Beatriz Calderon.	
			Notary Public, State of Texas Notary's name (printed): Notary's commission expires:	

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California)			
County of Alameda	}			
On 5/28/2008 before me, Shelly T-Lowe Notan Public Here Insert Name and Fittle of the Officer personally appeared Beatriz Calderon Name(s) of Signer(s)				
SHELLY T. LOWE COMM. #1593139 NOTARY PUBLIC - CAL HORNA ALAMEDA COUNTY My Comm. Expires June 29, 2009 Place Notary Seal Above	who proved to me on the basis of satisfactory evidence to be the person(e) whose name(e) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(iee), and that by his/her/their signature(s) on the instrument the person(e), or the entity upon behalf of which the person(e) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct. WITNESS my hand and official seal. Signature			
Though the information below is not required by law, it is and could prevent fraudulent removal and rea	may prove valuable to persons relying on the document			
Description of Attached Document				
Title or Type of Document: Vaid Up Oil And GAS Lease				
Document Date: _5/28/2008	Number of Pages: 2			
Signer(s) Other Than Named Above: No ofter	SIGNUS			
Capacity(ies) Claimed by Signer(s)				
Signer's Name: Beatriz Alderon Individual Corporate Officer — Title(s): Partner — Limited General Attorney in Fact Trustee Guardian or Conservator Other: Signer Is Representing:	Signer's Name: Individual Corporate Officer — Title(s): Partner — Limited General Attorney in Fact Trustee Guardian or Conservator Other: Signer Is Representing:			



CIRCLE ENERGY INC 2400 N HWY 287 STE 106

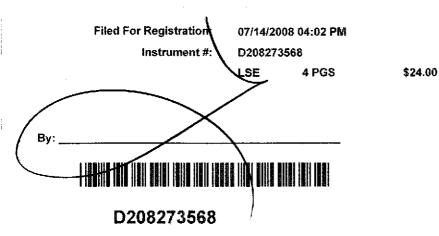
MANSFIELD

TX 76063

Submitter: CIRCLE ENERGY INC

SUZANNE HENDERSON TARRANT COUNTY CLERK TARRANT COUNTY COURTHOUSE 100 WEST WEATHERFORD FORT WORTH, TX 76196-0401

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